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## CONCLUSIONS FROM A SURVEY OF OVER FIVE HUNDRED EMPLOYES' BENEFIT ASSOCIATIONS

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The employees' benefit association is the result of evolution and has apparently come about through a desire on the part of the men to coöperate for their mutual benefit. Capital has but recently awakened to the value of these organizations in steadying the force and in reducing some of the unmeasured leaks of business.

No method has as yet been accepted as showing clearly the cost of absenteeism, or the loss of both quality and quantity of production due to workmen being harassed by debt incurred through sickness, or to dragging themselves around in an effort to fight off disease without proper medical attention. The presence of such losses is obvious on most casual consideration of the subject. Consequently, the only problems are those of measuring the amount of loss and of devising methods of loss reduction. We may utilize the employees' benefit association for the mutual relief of employee and employer from such conditions. This has proven one very effective means of reducing some of these newly recognized leaks.

Some employers for many years have been coöperating with associations among their employees. However, it is only in the last few years that capital can claim to have frankly acknowledged the value to the employer of these associations. Recently various stock insurance companies have been sitting up and taking notice of the possibilities for them in this new era which is developing. In addition to increased activity of the companies regularly writing sick and accident business, some of the larger companies are now offering group insurance through employers in such forms that premiums are paid to the insurance companies monthly by the employers. The entire cost is absorbed by some corporations in connection with their welfare work while others collect from the employees through the pay envelopes for part or all of the premiums. Some of this group insurance embraces life insurance only. As a stabilizer of labor, life insurance does not seem to me to embody enough of the

great essentials which attract the men. Any gratuity receives a welcome, but the money spent by an employer for life insurance premiums might be used in other ways to greater advantage to both employer and employee. Group health and accident insurance is something which can more readily be visualized by the average man and as a stabilizer produces more favorable results than group life insurance.

*The greater the frequency with which a man feels the benefits derived from a gratuity or an investment, the more he will appreciate it.* In an average working force of one thousand men, seven will die each year. In such a force then the group life insurance plan will demonstrate its value to the employees less than once a month and then very few employees hear about the payment of the benefits. In such a force of one thousand men someone is always either hurt or sick and frequent contact of the individual employee with the disability benefits is secured either through his being a beneficiary himself, or because he is serving on sick visiting committees or in other ways sees benefits going far to relieve his friends in times of need.

Employees' benefit associations usually operate without much overhead expense. There is some expense of operation but the employer usually pays it. He does not always realize it, but he pays it just the same. In some few cases the secretary circulates among the members collecting dues at regular intervals. It is probably safe to conclude that this is always on company time, resulting in relatively heavy cost to the employer. However, in most cases dues of the members are collected through the paymaster as an accommodation to the organization. This plan is far more effective for the association and costs the employer less than the former method.

Having almost no overhead expense, the association can handle business practically at cost and in many cases, through having outside income, for less than cost.

An employer, who is aware of the value to him of having all employees become members of their benefit association, may contribute toward the cost of maintaining the association and thus foster the organization operated by the men themselves, but his interest should not lead him beyond the point of coöperation. *The members should know that they are operating their own association.*

An employer's dollar spent in this way will go much farther than when part of it must be diverted from payment of losses to cover the overhead of a stock company. Stock companies have a wonderful field of usefulness but they are by force of circumstances unable to compete with the employes' benefit associations.

No form of insurance will sell itself. In associations operated by employes without the coöperation of the employers the percentage of members to total number of employes varies from two per cent upward, the average being about thirty per cent. In cases where the employers coöperated in jointly managing the associations the average was over sixty per cent, and where the employers managed the associations alone the average was over seventy-five per cent. This points to one very important moral, and embraces one of the essential features of organizing such an association. In addition to that, it shows very forcefully the need for reorganizing a great many of the associations now in existence. Consequently, I believe those features which are essential for organizing will be equally essential when reorganizing an association.

This was the condition that confronted the Dodge Manufacturing Company's mutual relief association two or three years ago. The association was about to celebrate its twenty-fifth anniversary. The corporation had maintained the attitude of allowing the employes absolutely a free rein. Some of our directors felt very strongly on this subject. The result was that in attempting to allow the employes to exercise their own judgement without interference from the corporation, we were, in reality, depriving them of the counsel and benefits which they might receive from directors and officers. Efforts had been made for several years to urge the officers of the benefit association to campaign for new members, and quite a little stimulant was thus administered. The membership continued, however, with slight fluctuation, to include between thirty-five and fifty per cent of the employes. It seemed quite evident that something was lacking; that this proposition must be studied just as any other problem of product, equipment or labor. We set out to do that, making up a questionnaire which went to a number of corporations who we believed might be operating benefit associations. We made notations of the various problems that suggested themselves, and which we then set out to solve. It developed that we had seventy-two problems for the solution of which we must secure

data. We found that the department of labor at Washington could give us a great volume of data from which we were enabled to compile percentages and other figures to aid in solving these problems. This, together with the information received in answer to our questionnaire, gave us considerably more data than we had anticipated when we started out.

Statistics themselves avail little in the brief consideration of so important a subject; suffice it to say that data were secured covering approximately six hundred benefit associations, and copies of the by-laws were received from seventy-eight. We digested them as best we could. For convenience in studying the various by-laws, we cut them up, and where necessary made digests of the individual provisions; so that, by means of a card file, we were able to gather into one group the various provisions for handling the numerous situations that arise, such as the duties of officers, amounts of benefits, and administration problems generally. From this card file we compiled a set of by-laws which were then submitted to the members of our own association, who were asked to appoint a committee to go over the matter thoroughly. This committee, representing the different departments in the plant, met on "company time" one afternoon a week for about three months, with the result that our present by-laws include what, to that committee, seemed to be the best features of the seventy-eight.

Thus, the corporation was of benefit to the association: first, in securing for it this volume of data that it might reorganize: second, we were able to show it that above all its plan must be attractive. The association is in the business of selling insurance; it must have a proposition which can be readily sold to the employees. We were able to show it some of the psychological features of the proposition, not through a definite study of psychology, but by bringing the members to see the effect of certain methods of procedure on prospective members. One point was kept forcibly in mind continuously: *The entire plan of reorganization must be above suspicion.* There must be nothing about it which would permit the suggestion, by those of perverted mind, that the corporation had any motive other than the best interests of the employees. *All decisions were to be made by the employees.* We took pains to place before them, however, all of the facts, both for and against each proposition on which they were to ballot, so that they were benefited by the experience

and judgment of those who had experience in insurance matters and sales promotion, and in addition, the facilities for securing information.

One point stands out forcibly: *No matter how good the plan, it will not sell itself.* It must have barbs on it; it must not work too smoothly. There must be things happening to keep alive the interest and enthusiasm of all the members. It is not sufficient to depend upon the secretary or any other one man to secure all of the members; all employes must be warmed up and kept warm so that a new man coming into the plant will immediately feel that influence and *want* to come in.

Instead of making outright donations to the treasury of such an association, it is far better to offer bonuses to the members for the accomplishment of certain definite results. Gratuities never develop the enthusiasm which follows sustained effort made to reach a certain goal and to earn a bonus or prize. Convert the campaign for members into a game wherein each member may become a salesman watching for an opportunity to get a new employe into the association. The effect of enthusiasm may be seen in the fact that the membership of the association in the plants of the Dodge Manufacturing Company doubled in the month following the adoption of the new by-laws.

A number of different stimulants were tried for the effect upon both members and prospective members, as evidenced by the percentage of employes in the organization. Our biggest stimulant so far has been that of dividends. We brought to the attention of the board of directors of the employes' benefit association the fact that their treasury was increasing very rapidly; that it was unfair to the members to retain this money when it was not needed by the association; that they could and should declare a dividend equivalent to two weeks' dues. There was considerable hesitation, however, for fear that the soundness of the organization might be jeopardized, but, upon thorough consideration, and at the recommendation of the officers of the corporation, they agreed that it looked perfectly safe. To save bookkeeping, this dividend was declared in cash. Each member received an envelope containing his dividend, and bearing a message stating that the organization was quite prosperous; hence the dividend. The amusing part of the experience was that the membership went up about fifty per cent in the next six months,

and the initiation fees from this influx of new members put into the treasury more than the dividend had amounted to. Thus the organization not only got its money back, but increased its membership fifty per cent. However, the greatest value came out of the fact that after the first dividend was paid, as a surprise to the members, the solvency and soundness of the association were most emphatically impressed upon the minds of all the employees.

Successive dividends seem to be accepted more as a matter of course. Nevertheless, demonstrations of strength and solvency must be made at intervals to keep up the enthusiasm. This will extend the influence of the association into the furthestmost corners of a plant.

As pointed out previously, it is very evident that the management of such an organization should not be left entirely to the employees. However, I do not favor a management exclusively of the corporation. In my opinion, a joint management should secure the counsel of the officers of the corporation, and the interest, enthusiasm and experience of the employees; thus the organization is operated for the best interests and secures the greatest enthusiasm of all concerned. The average executive being of the individualistic type, does not clearly comprehend the viewpoint of the general employee who is of the collectivistic type. In my opinion, the joint plan of management is by far the best solution.

To revert to the discussion of ways and means of the employees' benefit association in general, some by-laws of other organizations provide that one-half of the board of directors *must* be appointed by the corporation; the other half by the employees. I believe it would be better to provide that "*not more than one-half of the board of directors shall be appointed from the corporation officers.*" In fact, I prefer to say nothing about this phase of the matter, allowing the entire situation to rest upon its merits. The men will be very quick to know who among the officers of the corporation are with them and competent to advise them; and it will be noticeable that there will be no attempt on the part of the men to "railroad" anything through, provided that the corporation officers who take an interest in the work, are with them and keep their ear to the ground.

Some one to serve as an actuary should prove valuable in keeping an association on a sound basis. One familiar with insurance problems who is interested in piloting the organization may

well be selected and held responsible to the association for the business policy. Such a man may be found among the executives of the corporation. Another extremely important individual is the secretary. He should be elected by popular vote and like the actuary should be recognized primarily as representing the interests of members. The employer may indicate a willingness that these men devote the necessary time to association activities but the final choice of individuals should rest with the members.

One thing that struck me very forcibly was the desirability of voluntary membership. I found by investigation that in some of the organizations where membership was compulsory for employees, interest was absolutely lacking. The officers of such an association very soon become dictatorial in their attitude, and so far as I have been able to observe, the members in most of these organizations look upon membership as a burden which they must carry in order to hold their jobs. Thus the value to the corporation was absolutely lost, and while it had a value for the members, they could not see it, and, therefore, it ceased to exist for them. There may be some compulsory organizations that are not subject to this criticism, but I have my doubts.

After the reorganization of the association in the plants of the Dodge Manufacturing Company, no old members dropped out but the new ones were of lower ages. This decreased the average age. Where the peak of the membership curve had been at forty-one to forty-five years, it moved down to twenty-one to twenty-five.

It is generally considered that sickness may be greater among the higher than among the lower ages. A set of charts is now being prepared, which will show for the various age groups the relation between membership and the number of days off due to sickness or accident and the number of cases of each. Indications lead to the conclusion that some of my previous ideas may be upset.

An important feature is that of "waiting time." The charts which I have prepared on this point show that the bulk of disability cases are of short duration. The cases of six days' duration form sixteen per cent of the total cases of more than three days' disability. I believe that it would not be feasible to pay benefits for disability of less than three days; first, because of the high cost, and second, because an employee who is at all provident will have no difficulty in financing himself for a three days' sickness.



Much discussion was given to the matter of the total amount of disability for which the employees' benefit association should pay. The most popular selection was thirteen weeks. Some pay for twenty-six weeks, while others have different provisions. As an illustration of some of the features developed by the charts I have prepared, we shall assume uniform dues of ten cents per week for sick benefits. With three days' waiting time, it is possible to pay benefits of one dollar per day for thirteen weeks. If the waiting time were increased to seven days, the benefits could be increased to nineteen weeks without any change in the dues. If the waiting time were made thirteen days as in most compensation laws, the benefits could be paid for twenty-six weeks. This shows the effect of waiting time and the relation between waiting time and the duration of cases.

Many employees' benefit associations provide what might be called "step-down" benefits. That is, \$1.00 a day for the first thirteen weeks; seventy-five cents a day for the next thirteen weeks; fifty cents a day for the next thirteen weeks, and twenty-five cents a day for the balance of the twelve months. Others pay small benefits as long as one lives and continues disabled.

I have prepared a number of very interesting charts on these benefits and rates. For example, step-down benefits throughout fifty-two weeks mentioned above of \$1.00, seventy-five cents, fifty cents and twenty-five cents, would require dues of a trifle less than fourteen cents per week per member—other combinations in about that proportion. If it was desired to extend these benefits as long as disability continued, it would be necessary to add only two cents per week per member. These rates are based on a factor of safety of one-third. In other words, experience should not exceed two-thirds of the rate. This, however, is a necessary provision due to the fact that the statistics from which these rates were made are taken from the Dodge employees' benefit association, and checked up against the rather crude figures compiled from the statistics of six hundred organizations. They appear to be perfectly safe. I very much favor the step-down benefits, but experience has shown that it is difficult to bring the employees to realize the advantage of providing for a long-time sickness. They are all so cocksure that continued sickness will only be experienced by the other fellow.

There are two methods of collecting revenue. One plan is

by levying assessments. Psychologically, assessments are wrong; dead wrong. It is true that no matter how you collect the money, the amount needed is essentially the same, but to the average mind, an assessment plan seems to be always working over time. The men imagine that they are paying twice the amount that is really being collected, and that the assessments come twice as often as the facts really show. Regular dues at regular intervals are much more satisfactory from every standpoint. A member knows months in advance just how much his dues are to be and when they are to be collected. Therefore, he is never surprised when they are deducted from his pay. In settling upon regular dues, it is naturally necessary to make these dues sufficiently large to take care of the fluctuations in benefits in order that the treasury may be kept intact, and the need for assessments eliminated. Experience shows that the fluctuations in benefits are not extreme; and with a fair-sized treasury, the organization is able to navigate successfully with dues very slightly in excess of average requirements.

The question of dues appears to be a difficult problem, but in reality is comparatively simple when one has access to the charts prepared on the subject. The logical method is to first settle upon the benefits that are to be paid, and then compute the necessary dues to secure these benefits. It makes a big difference whether all members pay the same dues, or whether one member may select benefits that suit him and pay dues accordingly. For instance, the dues above quoted, or step-down benefits, are based upon a plan whereby all members of the employees' benefit association pay the same dues, or, in a large organization, at least enough of the members pay dues on a uniform plan to provide a satisfactory average experience. Stock companies writing sick and accident insurance policies find a policy paying \$1.00 a day benefits with a premium of \$1.00 a month a ready seller. This furnishes us a guide upon which to work, although I have found it operates better to quote rates in terms of weeks. The amounts look smaller, and the average employe is in the habit of thinking in terms of his weekly wage. It is, therefore, desirable to employ a language which he can readily understand. Ten cents a week seems to be quite popular, although our experience shows conclusively that the men do not hesitate to pay for anything in which they see value.

Another extremely desirable feature of this organization is

that, according to the by-laws, the organization may do anything to promote the general welfare of its members. Under this provision, the association organized a thrift club. In this thrift club any employe may authorize the association to deduct from his weekly pay any multiple of twenty-five cents. This must be left in the association treasury for at least fourteen weeks; if left twenty-six weeks or more, it will draw four per cent interest. This interest, like the dividends, for psychological reasons, is paid in cash and not credited to the account. This acts not only for the employe's benefit, but as the following incidents will show, is of great value to the corporation. When this thrift club was first started, the secretary of the Employees' Benefit Association made it a point to visit all of the spendthrifts throughout the plant, making a special campaign with them first. Man after man declared, "If the company will raise my pay, I will be glad to go into it, but I can't live on my present wage, let alone allowing you to deduct anything for your thrift club." Each of these fellows was appealed to further; he was urged to allow twenty-five cents to be deducted from his weekly pay on the grounds that the secretary wanted the moral effect of his name to influence other fellows who needed the benefit of such a plan. All of these said that they believed in the plan and were finally induced to lend their influence that way. As the weeks progressed, the secretary made it a point to see these fellows whose wages were "inadequate" and casually impressed them with the fact that this amount was climbing. This, coupled with the thought that they had induced so many others to join the thrift club, brought about the result that they volunteered to double the amounts until, within ten weeks, not one of them was saving less than \$2.00 a week; some as high as \$10.00. Before the fourteen weeks are up for any thrift member, the secretary makes it a point to see him and ascertain what he proposes to do with his money when he gets it. One of the fellows who had been most enthusiastic in the contention that he could not live on his wage, said that he was going to have something that he had never before had in his life, and that was a bank account. Another fellow said that he had been married for fifteen years and had been head over heels in debt all that time, and that he was going to spend \$15.00 of his saving for new clothes for his family, and that the balance would pay "every debt he had on earth," so that by continuing in the thrift club he would be able

to "look everybody square in the eye," and keep out of debt in the future.

The corporation benefits in all of this from the very valuable fact that these men, who formerly considered their wages inadequate, have demonstrated to their satisfaction that it was not inadequacy but carelessness that had prevented them from saving money.

One case is interesting; one member had accumulated \$50; his fourteen weeks were not yet up, but his wife was operated upon, and the doctor's bill was \$64. The doctor told him that if he would "scare up" the cash right away, he would make it \$50. He came to the secretary almost breathless to see if he could get his \$50. It was gladly given him, and he saved \$14.

The boys are saving through this means to get married; for winter clothing; for coal, and all sorts of things they want and need, including, in one case, a Ford. The man who saved for the Ford is the warmest booster we have.

A man who is proud of the employees' benefit association or of the thrift club, or baseball team, or band, must unconsciously have a good regard for the plant and organization behind it; which, barring irritance of some form to disturb the situation, will build for a low labor turnover.